

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

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In re:

Chapter 11

W.R. GRACE & Co., et al.,

Case No. 01-01139 (JKF)
(Jointly Administered)

Debtors

THIRTY-FIRST INTERIM APPLICATION OF CAPSTONE ADVISORY GROUP, LLC,
FINANCIAL ADVISORS TO THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS,
FOR ALLOWANCE OF COMPENSATION FOR SERVICES RENDERED AND
REIMBURSEMENT OF EXPENSES INCURRED
(FOR THE PERIOD FROM AUGUST 1, 2006 THROUGH AUGUST 31, 2006)

Name of Applicant:	Capstone Advisory Group, LLC (formerly known as Capstone Corporate Recovery, LLC)
Authorized to Provide Professional Services to:	The Official Committee of Unsecured Creditors
Date of Retention:	June 8, 2004 (<u>nunc pro tunc</u> to February 4, 2004)
Period for which compensation and reimbursement is sought:	August 1, 2006 through August 31, 2006
Amount of Compensation sought as actual, reasonable and necessary (80% of \$111,154.00):	\$ 88,923.20
Amount of Expense Reimbursement sought as actual, reasonable and necessary (100%):	\$ <u>505.01</u>
Total Amount Due:	\$ 89,428.21

Capstone replaced FTI Consulting, Inc. ("FTI") as financial advisors to the Official Committee of Unsecured Creditors, nunc pro tunc to February 4, 2004, so ordered by the Court on June 8, 2004

The total time expended and included herein for fee application preparation is approximately 21.9 hours and corresponding compensation requested is approximately \$ 7,183.00.

This is the Thirty First Interim Application filed by Capstone. Disclosure for the current period and prior periods is as follows:

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**ATTACHMENT A
 TO FEE APPLICATION**

Date Filed (on or about)	Period Covered	Fees (100%)	Expenses (100%)	Fees (80% of requested fees)
June 10, 2004	February 4, 2004 through February 29, 2004	\$94,882.00	\$3,932.07	\$75,905.60
June 10, 2004	March 1, 2004 through March 31, 2004	\$136,415.50	\$1,819.00	\$109,132.40
Totals First Quarterly	February 4, 2004 through March 31, 2004	\$231,297.50	\$5,751.07	\$185,038.00
June 12, 2004	April 1, 2004 through April 30, 2004	\$61,925.00	\$678.33	\$49,540.00
July 13, 2004	May 1, 2004 Through May 31, 2004	\$32,665.00	\$477.15	\$26,132.00
August 5, 2004	June 1, 2004 through June 30, 2004	\$106,470.50	\$1,119.63	\$85,176.40
Totals Second Quarterly	April 1, 2004 through June 30, 2004	\$201,060.50	\$2,275.11	\$160,848.40
August 31, 2004	July 1, 2004 through July 31, 2004	\$68,533.50	\$667.60	\$54,826.80
September 24, 2004	August 1, 2004 through August 31, 2004	\$99,215.50	\$1,341.49	\$79,372.40
October 28, 2004	September 1, 2004 through September 30, 2004	\$44,918.25	\$658.72	\$35,934.60
Totals Third Quarterly	July 1, 2004 through September 30, 2004	\$212,667.25	\$2,667.81	\$170,133.80

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Date Filed (on or about)	Period Covered	Fees (100%)	Expenses (100%)	Fees (80% of requested fees)
December 6, 2004	October 1, 2004 through October 31, 2004	\$57,592.50	229.77	\$46,074.00
December 22, 2004	November 1, 2004 through November 30, 2004	\$84,366.50	\$745.91	\$67,493.20
January 28, 2005	December 1, 2004 Through December 31, 2004	\$82,351.00	\$ 1,943.96	\$65,880.80
Totals Fourth Quarterly	October 1, 2004 through December 31, 2004	\$224,310.00	\$2,919.64	\$179,448.00
February 25, 2005	January 1, 2005 through January 31, 2005	\$69,477.00	\$276.18	\$55,581.60
March 29, 2005	February 1 through February 28, 2005	\$77,228.50	\$1,727.60	\$61,782.80
May 6, 2005	March 1, 2005 through March 31, 2005	\$126,012.00	\$ 494.94	\$100,809.60
Totals Fifth Quarterly	January 1, 2005 through March 31, 2005	\$272,717.50	\$2,498.72	\$218,174.00
June 3, 2005	April 1, 2005 through April 30, 2005	\$ 87,936.00	\$ 435.16	\$ 70,348.80
July 6, 2005	May 1, 2005 through May 31, 2005	\$119,435.00	\$1,275.00	\$ 95,548.00
July 15, 2005	June 1, 2005 through June 30, 2005	\$89,859.00	\$542.69	\$71,887.20

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Date Filed (on or about)	Period Covered	Fees (100%)	Expenses (100%)	Fees (80% of requested fees)
Totals Sixth Quarterly	April 1, 2005 through June 30, 2005	\$297,230.00	\$2,252.85	\$237,784.00
September 19, 2005	July 1, 2005 through July 31, 2005	\$90,014.50	\$621.03	\$72,011.60
October 7, 2005	August 1, 2005 through August 31, 2005	\$126,233.00	\$1,532.46	\$100,986.40
October 31, 2005	September 1, 2005 through September 30, 2005	75,983.50	\$482.03	\$60,786.80
Totals Seventh Quarterly	July 1, 2005 through September 30, 2005	\$292,231.00	\$2,635.52	\$233,784.80
December 16, 2005	October 1, 2005 through October 31, 2005	95,742.50	\$750.36	76,594.00
December 30, 2005	November 1, 2005 through November 30, 2005	\$118,062.00	\$1,119.74	\$94,449.60
February 9, 2006	December 1, 2005 through December 31, 2005	\$122,018.50	\$938.82	\$97,614.80
Totals Eighth Quarterly	October 1, 2005 through December 31, 2005	\$335,823.00	\$2,808.92	\$268,658.40
March 21, 2006	January 1, 2006 through January 31, 2006	\$85,745.00	\$631.01	\$68,596.00
April 20, 2006	February 1, 2006 through February 28, 2006	\$173,916.50	\$2,359.69	\$139,133.20

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Date Filed (on or about)	Period Covered	Fees (100%)	Expenses (100%)	Fees (80% of requested fees)
May 9, 2006	March 1 through March 31, 2006	\$141,040.50	\$1,017.99	\$112,832.40
Totals Ninth Quarterly	January 1, 2006 through March 31, 2006	\$400,702.00	\$4,008.69	\$320,561.60
May 23, 2006	April 1, 2006 through April 30, 2006	\$125,055.00	\$1,929.46	\$100,044.00
June 21, 2006	May 1, 2005 Through May 31, 2006	\$146,396.50	\$965.43	\$117,117.20
July 20, 2006	June 1, 2006 Through June 30, 2006	\$140,368.50	\$1,263.86	\$140,368.50
Totals Tenth Quarterly	April 1, 2006 through June 30, 2006	\$411,820.00	\$4,158.75	\$329,456.00
August 25, 2006	July 1, 2006 through July 31, 2006	\$102,449.00	\$566.51	\$ 81,959.20
October 2, 2006	August 1, 2006 Through August 31, 2006	\$111,154.00	\$505.01	\$88,923.20

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**ATTACHMENT B
TO FEE APPLICATION**

1. Summary of Fees by Professional
2. Summary of Fees by Task Code
3. Detailed Time Description by Task Code
4. Expense Detail

W.R. Grace & Co.
Capstone Advisory Group, LLC
Summary of Fees by Professional
For the Period 8/1/06 through 8/31/06

Professional	Position	Billing Rate	Hours	Fees
E. Ordway	Member	\$555	25.10	\$13,930.50
S. Cunningham	Member	\$555	35.60	\$19,758.00
R. Frezza	Consultant	\$450	27.50	\$12,375.00
L. Hamilton	Consultant	\$365	83.20	\$30,368.00
J. Dolan	Consultant	\$355	96.50	\$34,257.50
M. Desalvio	Research	\$150	1.00	\$150.00
N. Backer	Paraprofessional	\$90	3.50	\$315.00
For the Period 8/1/06 through 8/31/06			272.40	\$111,154.00

W.R. Grace & Co.
Capstone Advisory Group, LLC
Summary of Fees by Task Code
For the Period 8/1/06 through 8/31/06

Task Code	Task Description	Hours	Fees
01. Acquisitions/Divestitures	During the Fee Application period, the Applicant prepared detailed analyses regarding two proposed acquisitions, including review of the Debtors' presentation materials and multi-year financial models. Reports to the Committee and counsel were prepared thereon.	11.80	\$5,729.00
03. Claims Analysis & Valuation	During the Fee Application period, the Applicant prepared recovery analyses under various assumptions. In addition, the Application prepared updated valuation analyses and compared same to PIPD proposal data. The Applicant also prepared analyses of LSTC balances and claims reconciliations prepared by the Debtors' advisors.	25.70	\$10,862.50
04. Creditor Committee Matters	During the Fee Application period, the Applicant discussed case issues, including the MI state tax stipulation, interest rates, estimation proceedings and a proposed asset sale, with counsel and Committee members.	3.20	\$1,401.00
07. Fee Applications & Invoices	During the Fee Application Period, the Applicant prepared the July fee application and a quarterly fee application.	21.90	\$7,183.00
08. Financial Analysis - Schedules & Statements	During the Fee Application Period, the Applicant analyzed data regarding the Debtors' Q2 results of operations compared to Plan and prior year. Detailed analyses were prepared for sales, EBIT, gross margin and other key operating data, commodity cost trends and industry performance indices. A report to the Committee was prepared thereon.	155.50	\$65,242.50
11. Financial Analysis - Other	During the Fee Application Period, the Applicant Read and analyzed court docket items regarding estimation proceedings, recent court decisions, as well as hearing outcomes. The Applicant also prepared analyses pertaining to a proposed asset sale. The Applicant also prepared analyses peer earnings and professional fees, and of the Debtors' acquisition activity including purchase price multiples.	50.60	\$19,185.00
26. Meetings with Debtors/Advisors	During the Fee Application Period, the Applicant prepared for and participated in calls with the Debtors and their advisors regarding Q2 results and the status of other case issues.	3.70	\$1,551.00
For the Period 8/1/06 through 8/31/06		272.40	\$111,154.00

W.R. Grace & Co.
Capstone Advisory Group, LLC
Detailed Time Description by Task Code
For the Period 8/1/06 through 8/31/06

Date	Professional	Hours	Detailed Time Description
01. Acquisitions/Divestitures			
8/1/2006	J. Dolan	3.10	Prepared report to the Committee pertaining to Project Cardinal.
8/1/2006	J. Dolan	1.00	Summarized open items related to Project Spaghetti acquisition.
8/1/2006	E. Ordway	1.40	Directed/supervised staff in preparation of analyses for Cardinal Project.
8/4/2006	S. Cunningham	3.00	Read and analyzed project Cardinal acquisition information and provided direction to staff.
8/16/2006	S. Cunningham	3.30	Prepared updated analysis regarding Project Spaghetti.
Subtotal		11.80	
03. Claims Analysis & Valuation			
8/15/2006	E. Ordway	0.50	Read and analyzed counsel correspondence regarding claims estimation issues.
8/17/2006	E. Ordway	2.90	Prepared hypothetical projections for balance of year, assuming current operating trends continued.
8/18/2006	E. Ordway	1.80	Prepared updated valuation using current trend earnings performance.
8/21/2006	E. Ordway	1.80	Continued to prepare updated valuation using updated earnings trend information.
8/21/2006	E. Ordway	0.80	Quantified difference between PI/PD valuations and updated estimates.
8/25/2006	L. Hamilton	4.20	Reviewed 10ks, 10qs for changes in reserves since 4/2/2001.
8/28/2006	L. Hamilton	8.00	Prepared historical analysis of LSTC and claims reconciliation including analysis of changes by period.
8/29/2006	L. Hamilton	2.50	Prepared historical analysis of LSTC and claims reconciliation - updated interest calculations
8/30/2006	L. Hamilton	3.20	Prepared historical analysis of LSTC and claims reconciliation including comparative on disclosure statement basis.
Subtotal		25.70	

Date	Professional	Hours	Detailed Time Description
04. Creditor Committee Matters			
8/7/2006	L. Hamilton	0.50	Read MI state tax stipulation and discussed same with counsel.
8/8/2006	E. Ordway	0.60	Call with Committee member to discuss stipulated interest rates for claims.
8/22/2006	L. Hamilton	0.70	Discussed status of case issues with counsel including results of 8/21 hearing, estimation proceedings and proposed asset sale.
8/23/2006	R. Frezza	1.40	Read and edited memos regarding Robreno decision and related matters and discussed same with counsel.
Subtotal		3.20	
07. Fee Applications & Invoices			
8/1/2006	L. Hamilton	3.00	Prepared quarterly fee application.
8/1/2006	E. Ordway	0.40	Reviewed fee application.
8/1/2006	N. Backer	1.50	Prepared quarterly fee application.
8/2/2006	L. Hamilton	3.00	Prepared quarterly fee application.
8/4/2006	L. Hamilton	2.00	Prepared quarterly fee application.
8/7/2006	L. Hamilton	1.10	Prepared July fee application.
8/9/2006	L. Hamilton	1.40	Prepared distribution and reconciliations for quarterly fee application.
8/10/2006	N. Backer	1.00	Prepared July fee application.
8/14/2006	L. Hamilton	2.60	Prepared July fee application.
8/23/2006	L. Hamilton	1.40	Prepared July fee application.
8/23/2006	L. Hamilton	0.50	Reviewed status of CNOs and corresponded with Debtors thereon.
8/24/2006	E. Ordway	0.40	Reviewed fee application.
8/24/2006	N. Backer	1.00	Prepared July fee application.
8/25/2006	L. Hamilton	2.60	Prepared July fee application
Subtotal		21.90	
08. Financial Analysis - Schedules & Statements			

Date	Professional	Hours	Detailed Time Description
8/4/2006	E. Ordway	2.40	Prepared outline and topic list for staff to follow in preparation of 2nd Quarter operating report to the Committee.
8/7/2006	J. Dolan	2.60	Read 2nd Quarter 2006 Earnings Release and reviewed additional analysis in preparation of 2nd quarter report to the Committee.
8/8/2006	J. Dolan	4.00	Prepared various analyses to be included in 2nd Quarter Financial Report to the Committee.
8/9/2006	S. Cunningham	3.00	Read and analyzed Debtors' reports pertaining to results for Q2 versus plan and prior year.
8/9/2006	E. Ordway	2.10	Analyzed liquidity and cash flow by comparing actual to forecast for each quarter year-to-date for inclusion in report.
8/10/2006	S. Cunningham	3.30	Read and analyzed Debtors' reports pertaining to results for Q2 versus plan and prior year.
8/10/2006	E. Ordway	2.40	Prepared analyses to ascertain growth in the base business versus growth from acquisitions.
8/10/2006	J. Dolan	2.80	Read and analyzed Financial Briefing distributed by the Debtors for the 2nd Quarter 2006.
8/10/2006	J. Dolan	2.80	Prepared 2nd Quarter 2006 Report Outline and discussed same with case team members.
8/10/2006	R. Frezza	2.00	Read and analyzed information from Debtors regarding 2nd quarter results.
8/10/2006	J. Dolan	3.60	Developed questions related to the 2nd Quarter 2006 performance and prepared a memo detailing questions and additional requested items.
8/11/2006	J. Dolan	5.40	Continued detailed analysis of 2nd Quarter 2006 financial results and preparation of quarterly report to Committee.
8/11/2006	S. Cunningham	3.70	Read and analyzed Peer group performance data for Q2.
8/11/2006	R. Frezza	2.20	Read and analyzed information from Debtors regarding 2nd quarter results.
8/14/2006	R. Frezza	3.60	Read and analyzed information from Debtors regarding 2nd quarter results.
8/14/2006	J. Dolan	9.40	Read Debtors' Executive Summary Financial Statements for the 2nd Quarter 2006 and continued detailed analysis of performance and preparation of quarterly report to the Committee.
8/14/2006	S. Cunningham	2.10	Read and analyzed Debtors' financial performance data for Q2.
8/15/2006	S. Cunningham	1.90	Read and analyzed Debtors' financial performance data for Q2.
8/15/2006	E. Ordway	2.40	Analyzed impact of exchange rates on reported results by recasting financials at beginning of year exchange rates.

Date	Professional	Hours	Detailed Time Description
8/15/2006	R. Frezza	4.20	Read and analyzed specialty chemical industry reports and peer company press releases pertaining to Q2 results.
8/15/2006	J. Dolan	4.60	Read and analyzed Executive Summary Financial Statements for the 2nd Quarter 2006 and continued detailed analysis of performance and preparation of quarterly report to the Committee.
8/15/2006	J. Dolan	1.40	Prepared list of follow-up request items as a result of conference call on 2nd Quarter results.
8/16/2006	R. Frezza	4.40	Read and analyzed 2Q specialty chemical analyst reports and Peer Company earnings press releases for purposes of comparative analyses as part of Capstone 2Q 06 financial update report to Committee.
8/16/2006	J. Dolan	5.10	Continued detailed analysis of performance and preparation of quarterly report to the Committee including comparison of actual results to Plan results.
8/17/2006	J. Dolan	8.40	Continued detailed analysis of performance and preparation of quarterly report to the Committee including comparison of actual results to prior year results.
8/17/2006	L. Hamilton	1.10	Prepared/edited followup questions pertaining to Q2.
8/17/2006	L. Hamilton	0.70	Analyzed sales and EBIT bridges and discussed same with case team member.
8/17/2006	R. Frezza	4.60	Read and analyzed 2Q specialty chemical analyst reports and Peer Company earnings press releases for purposes of comparative analyses as part of Capstone 2Q 06 financial update report to Committee.
8/17/2006	S. Cunningham	3.00	Read and analyzed Debtors' financial performance data for Q2 and provided guidance to staff for followup.
8/18/2006	J. Dolan	3.00	Continued detailed analysis of performance and preparation of quarterly report to the Committee including gross margin vs sales analysis and impact of inflation analysis.
8/18/2006	R. Frezza	1.80	Continued to read and analyze 2Q specialty chemical analyst reports and Peer Company earning reports.
8/18/2006	S. Cunningham	3.00	Analyzed comparative P&L information regarding Debtors' financial performance for Q2.
8/21/2006	S. Cunningham	0.80	Analyzed Debtors' cash flow data for Q2.
8/21/2006	J. Dolan	9.20	Continued detailed analysis of performance and preparation of quarterly report to the Committee including cash flow and liquidity analysis and latest estimate vs Plan analysis.
8/22/2006	J. Dolan	8.80	Continued detailed analysis of performance and preparation of quarterly report to the Committee including obtaining and reviewing information related to hedging contracts as well as environmental remediation reserve issues.

Date	Professional	Hours	Detailed Time Description
8/22/2006	S. Cunningham	1.20	Analyzed Debtors' financial performance compared to peers for Q2.
8/22/2006	R. Frezza	0.80	Discussed progress of 2Q report with team; discussed next steps on open items.
8/23/2006	J. Dolan	2.50	Continued detailed analysis of performance and preparation of quarterly report to the Committee including actual vs Plan sales bridge and EBITDA bridge.
8/23/2006	S. Cunningham	2.00	Analyzed EBITDA bridge factors for Q2 and provided guidance to staff regarding further analysis of same.
8/24/2006	E. Ordway	2.30	Researched commodity cost trends and predictions for items used by Debtors to analyze possible downside sensitivities for second half 2006 performance.
8/24/2006	J. Dolan	4.10	Continued detailed analysis of performance and preparation of quarterly report to the Committee including year-over-year sales and EBIT bridges for the 2Q06.
8/28/2006	S. Cunningham	3.30	Continued to read and analyze Debtors' financial performance data for Q2.
8/30/2006	J. Dolan	7.50	Continued detailed analysis of performance and preparation of quarterly report to the Committee including year-over-year sales and EBIT bridges for the year to date period.
8/31/2006	J. Dolan	6.00	Continued detailed analysis of performance and preparation of quarterly report to the Committee including cash flow statement and incorporating comments on report.

Subtotal 155.50

11. Financial Analysis - Other

8/2/2006	L. Hamilton	1.00	Read and analyzed recent court docket items to evaluate impact on Committee issues.
8/7/2006	L. Hamilton	1.40	Read and analyzed recent court docket items.
8/8/2006	L. Hamilton	1.60	Prepared list of followup items for team members regarding various case issues.
8/8/2006	E. Ordway	0.80	Directed staff in analyzing comparable companies data.
8/9/2006	L. Hamilton	4.60	Prepared comparative summary of acquisitions including purchase price multiples.
8/14/2006	L. Hamilton	2.50	Read and analyzed recent court docket items including items related to professional fees.
8/15/2006	L. Hamilton	1.80	Read and analyzed Armstrong decision in preparation for discussion with counsel.

Date	Professional	Hours	Detailed Time Description
8/16/2006	M. Desalvio	1.00	Retrieved press releases on earnings of peers for case team member.
8/17/2006	L. Hamilton	2.90	Prepared comparative analysis of professional fees.
8/18/2006	L. Hamilton	0.90	Read and analyzed recent court docket items pertaining to estimation proceedings.
8/18/2006	L. Hamilton	1.70	Prepared/updated comparative acquisition analysis.
8/18/2006	L. Hamilton	3.10	Prepared comparative analysis of professional fees.
8/21/2006	L. Hamilton	2.30	Read and analyzed recent court decision regarding estimation in Armstrong case.
8/21/2006	L. Hamilton	4.30	Prepared report summarizing key points and potential impact/related issues in the Armstrong decision.
8/22/2006	L. Hamilton	2.20	Updated report regarding estimation process.
8/22/2006	L. Hamilton	1.50	Read and analyzed proposed filing regarding an asset sale.
8/22/2006	L. Hamilton	1.10	Reviewed CMOs pertaining to estimation proceedings.
8/22/2006	L. Hamilton	0.20	Discussed planning regarding latest case issues with case team member.
8/22/2006	L. Hamilton	2.30	Read court docket filings and prepared summary of hearing outcome.
8/23/2006	L. Hamilton	1.20	Read and analyzed recent court docket items including retention filing and 2004 document request.
8/23/2006	L. Hamilton	0.50	Prepared/distributed summary of hearing outcomes.
8/23/2006	L. Hamilton	0.50	Discussed fleet sale issues with counsel.
8/23/2006	E. Ordway	2.10	Read selected court documents provided by staff regarding asset sale, 2004 request and retention.
8/23/2006	L. Hamilton	2.70	Prepared preliminary followup questions regarding proposed fleet sale.
8/23/2006	L. Hamilton	1.20	Read and analyzed information regarding proposed fleet sale.
8/25/2006	L. Hamilton	0.50	Corresponded with Debtors/updated schedules pertaining to CNOs.
8/25/2006	L. Hamilton	0.70	Updated followup questions regarding asset sale and forwarded same to Debtors' counsel K&E.
8/30/2006	L. Hamilton	0.70	Read response from Debtors' counsel regarding fleet sale and prepared open items list to discuss with counsel.

Date	Professional	Hours	Detailed Time Description
8/30/2006	L. Hamilton	1.30	Analyzed recent court docket items including latest CMOs, Williams stipulation.
8/31/2006	S. Cunningham	2.00	Read and analyzed Debtors' information regarding proposed tanker fleet asset sale.
Subtotal		50.60	
26. Meetings with Debtors/Advisors			
8/15/2006	R. Frezza	0.50	Prepared for and participated in 2Q call with Debtors.
8/15/2006	R. Frezza	0.60	Prepared for and participated in call with Blackstone regarding Q2 results and other issues.
8/15/2006	J. Dolan	1.20	Participated in conference call with the Debtor to review the Financial Briefing and 2nd Quarter Results.
8/18/2006	R. Frezza	1.40	Prepared for and participated in call with Blackstone and management pertaining to questions raised by Capstone regarding management's 2Q financial reporting package.
Subtotal		3.70	
Total Hours		272.40	

W.R. Grace & Co.
Capstone Advisory Group, LLC
Expense Detail
For the Period 8/1/06 through 8/31/06

Date	Professional	Detail	Amount
Copies			
8/31/2006	Capstone Expenses	August 2006 Copies 217 @ \$0.10 each	\$21.70
Subtotal - Copies			\$21.70
Scans			
8/31/2006	Capstone Expenses	August 2006 Scans - 184 @\$1.00 each	\$184.00
Subtotal - Scans			\$184.00
Telecom Charges			
8/31/2006	Capstone Expenses	August Telecom Charges	\$299.31
Subtotal - Telecom Charges			\$299.31
For the Period 8/1/06 through 8/31/06			\$505.01